

to draw too heavily upon this stock, it must follow that a high price for the use of the money will be the result. The price will go on rising with the strength of the demand, until the demand itself is checked. The discounts and loans of the banks of the whole Dominion have increased from 182 millions for September to 184 millions for October. It is here that the whole question of the soundness or otherwise of the business done by the banks amongst us, really rests; and it is with this that the public, and especially the mercantile community, is really concerned. The bills circulated by the banks are safe beyond all question. The amount of circulation is really more a matter of speculative theory than of any practical importance. Bank bills in circulation in September were \$33,900,000, in October the amount was \$37,900,000. But the increase, large as it is, is not a matter for concern. It is the most satisfactory feature in the statement. The increased circulation no doubt represents an increase of good mercantile business. The old theories about the inflation of business by the expansion of circulation are baseless, when bills are subject to a daily process of redemption, as is the case with our own bills in Canada. Under the conditions prevailing in Canada an inflated circulation is impossible,—clearly impossible. We can no more keep out in circulation bills beyond the actual requirements of business, than we can put water in a vessel which is already filled to its capacity.

But the question of expansion of discounts is a totally different one. Undue expansion here is not only possible, but it is highly probable. It is more than probable; it is almost absolutely certain to take place at certain intervals of time. So peculiar is the nature of credit, and business done upon credit in its various forms, that the constantly expanding process is the natural course of things until it is checked by the inevitable reaction. It is in the discounts and loans that all the elements of banking disaster are to be found. It is this that principally concerns the public. The discounts represent all the operations of our manifold commercial and manufacturing interests. If a sudden check is put to the loans and discounts, the check is felt at once in all mercantile circles; banks never refuse to receive deposits, providing the question of interest is satisfactory. They never refuse to pay out their own notes, unless restrained by legal enactment, within certain bounds. But, they are often compelled by the strong pressure of irresistible circumstances to refuse loans and discounts, and when they do, the whole commercial community is affected. Hence it is for the mercantile community to watch, with interest, month by month, the total of bank discounts, as bearing upon their own business. For there must be a point beyond which it is impossible for banks to go. Let customers mark this well. A merchant may fancy that if refused at one bank he can get accommodation at another. But, this is a delusion at a time when the whole of the banks have their resources strained to their utmost limit. We pointed out last month that it is impossible for banks to lend all the money they have. If they did they would all have to stop payment, no matter how much capital

they were nominally possessed of. The cash reserve of a bank is its real tower of strength, and not what is commonly called its reserve fund or rest as shown in the balance sheet. The City of Glasgow Bank had a so-called reserve fund when it had been hopelessly insolvent for months. The Commercial Bank of this country had a similar reserve fund when it stopped payment. The reserve that we speak of is a good supply of solid cash, held either actually in hand or in credit at a bank, whence it can be drawn at a moment's notice. The English banks have a certain amount of solid cash in their tills, and a certain amount lying in the Bank of England. Besides this, they all have money lent on call, or invested in realizable bonds or securities. Our Canadian banks keep so much cash in their tills, and so much in New York or London. They too, have their money out on call, and some of them hold government securities. But in the one and the other of these their real strength consists. It is the amount of solid cash it has in hand or at immediate command, which makes a bank strong or otherwise.

It has been pointed out that this solid reserve has been diminishing steadily for more than a year past. A year ago the whole of the banks in the Dominion had, of this monetary reserve, nearly ten millions more than they have now. Deducting balances that some of them owed to their foreign correspondents, the banks had 38 millions of cash in hand or at command in October 1881, while they have only 29 millions in October 1882. This reserve is low enough. We say emphatically and decidedly it is low enough. It ought not to be depleted further. The banks, in the aggregate, cannot prudently further increase their discounts. The business of the country cannot stand any further expansion. The edifice of credit, taken as a whole, is built up as high as it will bear.

POLITICO-COMMERCIAL FRANCHISES.

What professes to be a new "Canada First," or third party has announced itself. Its president, if not its prophet, is Mr. W. B. McMurich, mayor of Toronto. This gentleman has, in a long address, published and elaborated the platform of the new party. There is not much that is new in the platform and what there is will scarcely recommend itself to sober minds. We are sorry to say that this address is permeated with a rashness and sometimes even with what appears to us a want of candor, which detract greatly from its value. The key note of the new party is struck in the spirit of the old parties, and even at that is nearly all one-sided. If the paper were not made up largely of politico-commercial questions, we should not have noticed it at all; as it is we refer to it mainly to notice the erroneous positions which its author takes and the objectionable nature of much of the advice which it contains.

Mr. McMurich boldly declares that the disallowance of the Manitoba railway charters violates the "inherent" rights of that province, and is "not only unconstitutional but also an unwarranted usurpation of power," which, if not resisted, must

weaken the federal bond. If this were so, that Province would have an easy remedy: all it would have to do would be to appeal to the Privy Council, in England. If the Manitoba government really believes that disallowance is unconstitutional, the best thing for it to do is to make that appeal. Beyond all doubt, the constitution rests in the Dominion Parliament the exclusive right to charter all railways which are intended to run to a foreign frontier. It is not a question of the "inherent" rights of Manitoba, if by that is meant some right which existed anterior to the written law, and which is superior to the written law; it is a question of the constitutional rights of Manitoba and the Dominion.

Against the claim that the Local Government ought to control the school lands of that province, not much need be said. There is on the face of it nothing very unreasonable; and perhaps it is a claim which, under some restrictions, might reasonably be conceded. The Dominion is the donor of these lands, and as such it has the right to say on what conditions the donee shall take. Beyond this, there is nothing worth contending for, in this connection. But when Mr. McMurich asks, "Why should the Dominion Government retain the control and management of the Crown Lands in Manitoba?" he asks a question which seems to imply that he is really in need of information. The answer which he gives to this question himself is divorced alike from reason and justice. "In the interests of confederation," Mr. McMurich says, "and as a matter of justice to Manitoba and the North-West, we strongly advocate their right to be placed on the same footing as regards their Crown Lands as the other Provinces." There is another and very different answer to the question; and that is, that the other Provinces owned the crown lands, within their borders, before they entered the confederation, while the lands of Manitoba and the North-West belong to the Dominion by right of purchase. In no proper sense can they be called the crown lands of any province.

In the address a somewhat halting advocacy of the "federation of the empire" finds a place. The difficulties of realizing this scheme are admitted; but if they should prove insurmountable, "there can," we are told, "hardly be any great difficulty in taking the first step in this direction by the formation of a commercial zollverein between the mother country and the colonies, so that they would be able to trade upon more favourable terms with one another, and exclude foreigners from the benefit of such trade." It is quite evident that the colonies must either be brought more closely into alliance with the mother land than at present, or set up as independent allies." Is there the least chance of a great commercial nation like England entering into an exclusive arrangement with the colonies, at the expense of foreign nations? No one acquainted with the current of thought, in England, ventures to think that there is. Whether the colonies will some day become independent nations, is another matter. The history of all colonies points to ultimate independence as the natural term of the colonial relation.